FILE COPY

Office Supreme Court, U.S.
FILED
OCT 2

In the

Supreme Court of the United States

OCTOBER TERM, 1958

No. 102

JEOFFROY MFG., INC., ROY JEOFFROY and RAY L. JEOFFROY,

Petitioners,

v.

WILLIAM T. GRAHAM and GRAHAM-HOEME PLOW CO., INC.,

Respondents.

PETITION FOR REHEARING AFTER DENIAL OF CERTIORARI

W. W. GIBSON
and
S. TOM MORRIS,
630 Amarillo Building,
Amarillo, Texas,
Attorneys for Petitioners.

WARLICK LAW INC — 1207 HORD STREET — DALLAS — RI 1-6711

INDEX

	Page
I. Substantial Grounds Not Previously Presented	2
A. Importance of the Questions Involved	2
B. Confusion in the Fifth Circuit	3
C. Additional Substantive Considerations Bearing Upon a Proper Construction of the Statute	5
Prayer	11

Index to Authorities

Livesay Window Company v. Livesay Industries, 251 F. 2d 469 (C. A. 5, January 24, 1958)	4
Sell-O-Rak Corp. v. Henry Hanger & Display Fixture Corp., 117 U. S. P. Q. 245 (D. C., S. D. Fla., Feb. 26, 1958)	6

In the

Supreme Court of the United States

OCTOBER TERM, 1958

No. 102

JEOFFROY MFG., INC., ROY JEOFFROY and RAY L. JEOFFROY,

Petitioners,

v.

WILLIAM T. GRAHAM and GRAHAM-HOEME PLOW CO., INC.,

Respondents.

PETITION FOR REHEARING AFTER DENIAL OF CERTIORARI

To the United States Supreme Court:

Petitioners, JEOFFROY MFG., INC., ROY JEOFFROY and RAY L. JEOFFROY, respectfully pray for a rehearing and reversal of the order entered on October 13, 1958 denying their petition for writ of certiorari to the United

States Court of Appeals for the Fifth Circuit, and as grounds therefor show the following:

I. SUBSTANTIAL GROUNDS NOT PREVIOUSLY PRESENTED

Petitioners respectfully submit that in addition to the matters submitted in their original petition the following matters justify the granting of a writ of certiorari.

A. Importance of the Questions Involved

Since preparing the petition for certiorari Petitioners' counsel has made a survey of the patent infringement cases which have reached the Courts of Appeal since the effective date of the Amendment of 1946 to 35 U. S. C. §70. That survey reflects that commencing with Volume 159 and continuing through Volume 254 of the Federal Reporter, Second Series, there have been 674 patent infringement cases decided by the Courts of Appeal alone. Of that number several hundred cases have involved or will involve further proceedings for the determination of infringement damages. It is obvious, therefore, that the question of the proper measure of infringement damages under the statute is one of tremendous national importance, which this Court should hear and determine. We seriously doubt that there is any Federal question outside the tax field that is of greater national import.

In addition to the general importance of the question a determination of the proper measure of infringement damages under the statute is important to these litigants

not only in this case, but in other litigation pending between them. Specifically, there is pending before the United States District Court for the Northern District of Texas, Amarillo Division, in Civil Action No. 1469, styled Jeoffroy Mfg., Inc. v. William T. Graham, an accounting for damages under United States Patent No. 2,627,798, and if the judgment of the Court of Appeals for the Fifth Circuit is permitted to stand in the case at bar, the Petitioner, Jeoffroy Mfg., Inc., will again be faced with the possibility of an award based solely and only upon infringement profits which have utterly no relation in fact to the damages sustained by the patentee.

Respondents in their brief in opposition to the petition for writ of certiorari herein have argued that Petitioners do not truly challenge the rules announced by the Court of Appeals for the Fifth Circuit, but are only unhappy with the dollar result of that Court's judgment. Naturally, Petitioners are unhappy with the clearly wrong dollar result, and that result should be corrected, but it is equally important that a proper construction of the statute be established so that future miscarriages of justice may be avoided.

B. Confusion in the Fifth Circuit

As we pointed out in the petition for certiorari the Court of Appeals in the case at bar stated that under the statute profits of the infringer are not recoverable *as such*, but by merely reclassifying "infringement profits" as "infringement damages," without showing or finding any relation in fact between Jeoffroy's profits and Graham's detriment

or damages, it reformed the District Court's judgment to award a recovery precisely in the amount of the infringement profits.

Since preparing the petition for certiorari there has come to the attention of Petitioners' counsel another decision of the Fifth Circuit, *Livesay Window Company v. Livesay Industries, 251 F. 2d 469 (C. A. 5, January 21, 1958)*, in which the Court expressly states that infringement profits as such are not recoverable under the statute and that "whatever may have been the practice prior to the recent statutory amendments, the general damages now recoverable are the detriments suffered by the plaintiffs through the infringement."

The Fifth Circuit has thus stated expressly in two decisions that infringement profits are not recoverable as such —and certainly the statute is not subject to any other construction—yet by a mere change of terminology, reclassifying infringement profits as damages, without any showing as to how or wherein they constitute damages, it has in the case at bar reached precisely the same result which it says is prohibited by the statute.

This Court has long said that it will look through the form of any matter to the real substance thereof, and we can conceive of no situation in which that rule is more truly applicable than here. Petitioners, as well as other patent litigants in the Fifth Circuit, are faced with the strange rule and result that while infringement profits are not recoverable as such, they are recoverable by merely calling

them another name. Form not substance is the foundation of decision, and we stand before the doors of this Honorable Court begging to be heard in order that the rule of hocus-pocus, which has no place in modern jurisprudence, may be eliminated as the rule of decision in this case and in all that follow.

C. Additional Substantive Considerations Bearing Upon a Proper Construction of the Statute

In the petition for certiorari we have pointed out that the language of the statute no longer includes infringement profits as a basis of recovery. We have further pointed out some of the judicial and legislative history which points to the same construction. While we thought those matters adequate they apparently were not, and we, therefore, submit the following additional considerations.

When the Congress amended Section 70 to eliminate profits as a basis of recovery and to eliminate those provisions relating to accounting, at the same time it left standing Section 74 (Feb. 4, 1887, c. 105, §1, 24 Stat. 387; Mar. 3, 1911, c. 231, §294, 36 Stat. 1167), which relates to design patents and provides in part as follows:

> "* * * Any person violating the provisions, or either of them, of this section, shall be liable in the amount of $250; and in case the total *profit* made by him from the manufacture or sale, as aforesaid, of the article or articles to which the design, or colorable imitation thereof, has been applied, exceeds the sum of $250, he shall be further liable for the excess of such profit over and above the sum of $250." (Emphasis added.)

The Patent Act of 1952, Section 289, contains a similar provision as to the recovery of profits in design patent cases as follows:

> "Whoever during the term of a patent for a design, without license of the owner, (1) applies the patented design, or any colorable imitation thereof, to any article of manufacture for the purpose of sale, or (2) sells or exposes for sale any article of manufacture to which such design or colorable imitation has been applied shall be liable to the owner to the extent of his total *profit*, but not less than $250, recoverable in any United States district court having jurisdiction of the parties." (Emphasis added.)

It is obvious therefore that where Congress intended that profits should furnish the basis of recovery it expressly so stated and the inclusion of such element of recovery as to design patents strengthens the conclusion that profits should not furnish the basis of recovery in other cases. See *Sell-O-Rak Corp. v. Henry Hanger & Display Fixture Corp., 117 U. S. P. Q. 245 (D. C., S. D. Fla., Feb. 26, 1958)*.

Of great importance also on a proper interpretation is the problem which Congress was seeking to solve in amending the statute. The report of the hearing before the Committee on Patents of the House of Representatives, 79th Congress, Second Session on H. R. 5231 (subsequently amended, reintroduced and reported as H. R. 5311), after setting out the text of the original bill H. R. 5231 and the amended bill H. R. 5311, opened in this manner:

> "Statement by Hon. Robert K. Henry, a member of Congress from the State of Wisconsin.
>
> "Congressman Henry. Mr. Chairman, this being a rather technical subject, I thought perhaps one of the

best ways to lay the picture before you is to read a letter that was addressed to Mr. Howson from Mr. Fish, dated January 4, 1929, *which rather completely outlines the problem;*

"'Mr. Huxley writes me that you on behalf of the American Bar Association are considering whether or not the recovery of the profits in patent cases should be eliminated and the successful patent owner be restricted to the recovery of damages which may or may not be increased in the discretion of the Court.

"'For a long time I have been satisfied that the law should be changed in this regard.

"'As you know, in the old days patent cases were always tried at law before juries and the patent owner could only recover damages.

"'In view of the simplicity of the situation in those days this procedure was adequate; but it soon became evident that after all an injunction was the thing which the patent owner needed in order to secure adequate protection.

"'He could get his injunction only in courts of equity which had no power to award damages.

"'At first it was the established rule that there should be no injunction in a court of equity unless the patent had previously been sustained at law which meant a duplication of trial.

"'As conditions developed courts of equity proceeded to try cases first brought in the courts of equity and, to render the duplication of trials unnecessary, *adopted the fiction that the infringer was a wrongful trustee and should be held to account for the profits he had made as such wrongful trustee, thus giving the patentee pecuniary redress in the equity court.* The right to recover profits as well as damages in an equity case was finally fixed by statute.

" 'This situation worked well enough under the simple conditions characterizing the administration of the patent laws in the old days.

" '*Now however it is a complete and absolute failure.*

" 'When the practice was established patents were almost always on simple things which were made and sold, and it was possible in such cases to determine the profits wrongfully made by the infringer.

" 'Now, however, by far the greater number of patents that are in litigation are on special and often relatively insignificant parts of complex structure to which the patented feature is so related that it is absolutely impossible to apportion the profits due to the invention, those being the only profits to which the patentee is entitled.

" '*The result is that there is a complete failure of justice in almost every case in which supposed profits are recovered or recoverable.*

" 'Absolutely artificial and unsound rules have been invented to solve the impossible problem of how to apportion profits.

" 'The Supreme Court in the Westinghouse-Wagner case made confusion worse confounded. The court there dealt with a transformer which was permeated with the invention so that the structure as a whole could be considered as the thing upon which the profits have been made by the infringer. The court, having in mind the peculiar facts of the case, held that while the burden was on the plaintiff to apportion profits, if he did all that he could do to solve the problem and was utterly unable to apportion the profits, the burden shifted to the defendant, who was the wrong-doer, and if he was unable to apportion the profits due to the infringement, then the court

said the entire profits on the article were to be awarded.

" 'The conclusion of the court is utterly inapplicable to the majority of the important patent cases which, as I have said, relate for the most part to special and subsidiary features in a complicated structure.

" 'In the Dowagiac case, the Supreme Court, undoubtedly recognizing that it had not cleared up the situation in the decision in the Westinghouse-Wagner case, introduced a thought that the court might well determine what was a fair and reasonable compensation to the patentee, on general evidence. *This, however, is a matter of damages rather than of profits.*

" 'Where as in many cases, specific damages cannot be proved definitely, the patentee seeks a recovery of profits and at the present time, under the Westinghouse-Wagner doctrine, *gets in very many cases enormously more than that to which he is really entitled.*

" '*The only solution of the difficulty is to eliminate the recovery of profit which has been allowed purely because of a series of historical accidents.*

" 'The only sound principle is to have the plaintiff recover the damages he can prove. This principle should be covered with the grant of power to the court to increase the damages on the principle laid down in the Dowagiac case if those proved by the plaintiff seem to the court inadequate.' " (Emphasis added.)

In the same hearing report the Honorable Conder C. Henry, Assistant Commissioner of Patents, said:

"I fully agree with Judge Evan A. Evans, Senior Judge of the Seventh Circuit Court of Appeals, in his

speech before the Patent Law Association of Pittsburgh, in 1941, when he said that the rule holding an infringer liable as a wrongful trustee for the patent owner—

> "'is not workable or practicable and is used by plaintiffs and their counsel to defeat and bludgeon a competitor until he, or it, be exterminated. It is not damages that are sought, but the extermination of a competitor.'"

These excerpts point up the problem which Congress was seeking to solve in amending the statute. The old statutory provisions for accounting had proven unworkable. The costs in time and money were almost unlimited, and the results achieved were frequently unjust to one side or the other. Lawyers, judges, administrators and legislators were agreed that the old provisions had outlived their day and the purpose of the statutory change was to correct those deficiencies and injustices.

If the judgment of the Fifth Circuit in the case at bar is permitted to stand, however, we are exactly where we were before the statute was changed. The court can compel a costly accounting, as it did in this case, to arrive at infringement profits which the statute has eliminated as a recoverable item, and after such a repetition of the old procedure the court may award those profits to the plaintiff by merely reclassifying them as damages or by calling them the measure of damages when there is no relation in fact between those profits and the patentee's detriment or loss.

It is inconceivable to us that this Honorable Court can or will permit such a result to stand.

Petitioners respectfully and earnestly pray, therefore, that this petition for rehearing be granted, and that upon rehearing they have relief as prayed for in their petition for writ of certiorari.

Respectfully submitted,

W. W. GIBSON
and
S. TOM MORRIS,
630 Amarillo Building,
Amarillo, Texas,
Attorneys for Petitioners.

By Original Signed By
W. W. GIBSON

CERTIFICATE OF COUNSEL

I hereby certify that this petition for rehearing is presented in good faith and not for delay, that it is limited to the grounds above specified as provided by Rule 58(2) of the Rules of the Supreme Court, and that copies of this petition have been delivered in person to Clayton Heare, Amarillo Building, Amarillo, Texas, and sent by United States Mail, postage prepaid, to Claude A. Fishburn and Orville O. Gold, 1217 Commerce Trust Building, Kansas City, Missouri, attorneys for Respondents.

DATED: October 27, 1958.

Original Signed By
W. W. GIBSON
Attorney for Petitioners